

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-02 L-03 H-02 DOE-15 SOE-02 /134 W
-----020028 290948Z /15

P 290912Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 6567
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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PASS CEA

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: MIYAZAWA PRESS CONFERENCE

1. FOLLOWING SUMS UP PRESS REPORTS ATTRIBUTED TO ECONOMIC
PLANNING AGENCY DIRECTOR GENERAL MIYAZAWA AT A PRESS CON-
FERENCE LATE MARCH 28 FOLLOWING A MEETING WITH PRIME
MINISTER FUKUDA.

A. THE U.S. IS VERY SLOW IN DOING SOMETHING ABOUT THE
CURRENCY PROBLEM. THE U.S. APPARENTLY CONSIDERS THE CUR-
RENCY PROBLEM TO BE A REFLECTION OF THE ENERGY PROBLEM
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AND ECONOMIC GROWTH RATES. HOWEVER, THE DOMESTIC SITUA-
TION IN THE U.S. IS THAT IT WILL HAVE TO TAKE SERIOUS
MEASURES TO COPE WITH INFLATION (DUE TO THE SHARP DROP
IN THE DOLLAR). BUT, JAPAN CANNOT AFFORD TO BE SO SLOW.
THE U.S. IS NOT VERY KEEN ABOUT THE ROOSA CONCEPT, LET
ALONE ABOUT FIXED EXCHANGE RATE SYSTEM. YET, SOME AGREE-
MENT MUST BE REACHED IN SOME FORM OR OTHER. THEREFORE, I

AM IN CONTACT WITH U.S. LEADERS IN MY OWN WAY, AIMING
ULTIMATELY AT REACHING AGREEMENT AT THE ADVANCED NATIONS
SUMMIT CONFERENCE.

B. I HAVE ALSO BEEN IN CONTACT INDIRECTLY WITH U.S.
SECRETARY OF THE TREASURY BLUMENTHAL. HOWEVER, HE WAS NOT
FULLY INFORMED ABOUT THE PRESENT SITUATION IN JAPAN.

THEREFORE, I HAD TO START BY EXPLAINING HOW GREATLY
INCONVENIENCED WE ARE BY THE LOW DOLLAR. EVEN WITH A
HIGH YEN AND THE LOW DOLLAR OUR COUNTRY'S EXPORTS ARE
INCREASING. THEREFORE, IT IS NOT UNNATURAL THAT U.S.
LEADERS DO NOT UNDERSTAND THE ACTUAL SITUATION IN JAPAN.
HOWEVER, IT IS A FACT THAT THERE ARE TYPES OF INDUSTRIES
WHICH ARE CONTINUING EXPORTS AT BELOW COST, AND IF THE HIGH
YEN CONTINUES AS AT PRESENT, INVESTMENT WILL ALSO STOP.
I DO NOT THINK IT IS SO DIFFICULT TO CONVEY THIS SITUATION
TO THE OTHER SIDE.

2. WHILE THE FOREGOING IS ATTRIBUTED TO MIYAZAWA, OTHER
NEWSPAPER STORIES APPEAR TO BE BASED ON A COMBINATION OF
MIYAZAWA COMMENTS, OTHER BACKGROUNDING AND PRESS INTER-
PRETATION. THESE REPORTS SUGGEST THAT: (A) THE PRIME
MINISTER AGREED WITH MR. MIYAZAWA THAT HE (THE PM)
WOULD EXPLAIN JAPAN'S PRESENT SITUATION, WHERE THE SHARP
APPRECIATION OF THE YEN IS ACTING TO HOLD BACK BUSINESS
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RECOVERY, IN TALKS WITH CHAIRMAN SCHULTZE OF THE CEA ON
APRIL 14, AND THAT HE WILL ASK HIM (SCHULTZE) TO CONVEY
TO PRESIDENT CARTER JAPAN'S POSITION OF SEEKING DOLLAR
DEFENSE MEASURES. (B) IT IS THOUGHT THAT WHEN PM FUKUDA
VISITS THE U.S. IN EARLY MAY HE WILL HOLD DIRECT TALKS
WITH PRESIDENT CARTER ON U.S. MEASURES FOR THE PREVENTION
OF INFLATION AND FOR THE STABILIZATION OF THE INTERNATIONAL
CURRENCY SITUATION. (C) THEY (PM FUKUDA AND MIYAZAWA)
AGREED THAT A RETURN TO THE FIXED EXCHANGE RATE
SYSTEM OR THE SO-CALLED ROOSA PLAN IS NOT REALISTIC WHEN
VIEWED IN LIGHT OF THE PRESENT INTERNATIONAL SITUATION.
(D) ADJUSTMENT OF ECONOMIC POLICIES AMONG THE U.S.,
EUROPE AND JAPAN WILL BE SOUGHT. MANSFIELD

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